

City of Renton

Assumptions for Potential Annexation Area (PAA) Fiscal Analysis

July 26, 2010

OVERVIEW

- **Purpose:** determine how Renton would fund services to annexation areas if major Potential Annexation Areas (PAAs) elected to annex to Renton. What are anticipated costs and revenues for the **general fund and enterprise funds**? What are **one-time transition costs** for equipment and vehicles, and what are **long-term capital funding needs**?
- Estimates were made by City Departments of the cost to extend Renton's existing level of service into the annexation area based on various PAA characteristics (population, demographics, topography, street lane miles, crime rates, surface water facilities, park acres).
- Renton has satisfied the "commencement" requirement of all three of its large annexation areas by accepting annexation petitions by January, 2010. With acceptance of the Fairwood and West Hill petitions, and expansion of the state sales tax credit by the State Legislature in 2010, Renton would exhaust the maximum three-tenths of one cent state sales tax credit under current law.

ESTIMATED FISCAL IMPACTS (additional detail attached – presented July 19, 2010)

First Year Estimate (\$M)	West Hill	Fairwood
Operating Costs	(11.1)	(13.1)
Operating Revenues	7.1	11.3
State Sales Tax Credit*	2.3	2.2
Net General Fund	(1.7)	0.3

Enterprise Fund Costs	(0.68)	(1.1)
Enterprise Fund Revenues	0.48	0.8
Net Enterprise Funds	(0.20)	(0.3)

One-time costs	(2.32)	(2.86)
Annual capital costs	(4.76)	(4.02)
Parks	(0.99)	(0.21)
Transportation/Streets	(3.27)	(2.80)
Surface Water	(0.50)	(1.01)

ASSUMPTIONS

- All cost estimates are subject to change due to inflation and economic conditions.
- **Inflation.** Costs are assumed to grow 3.8% per year, and revenues in the aggregate at 1.5% per year, with specific revenue sources growing in line Renton's historical average rates by source.
- **No Development.** The analysis does not speculate or make any assumptions about new residential or commercial development or the potential for new revenue from the PAAs.
- **Enterprise funds** would need to use rates and fees to fund expanded services for surface water management. Skyway Water & Sewer District would continue to provide water and sewer utility

service. Renton's policy is not to assume independent water and sewer districts. Enterprise rates and revenue estimates are based on the rate at the time of the estimate. No rate increases have been approved by Renton. If Renton increases surface water utility rates, revenue from the annexed area will increase accordingly.

- **Sales tax credit:** Current authority is for 1/10th of 1 cent of the state sales tax for each 10,000 people annexed, up to a maximum of 3/10ths of one cent for 30,000 people. This source is not available for capital costs. Yield is ~\$2.3M/year for 10 years from the date of annexation, and varies according to the City's sales tax base.
- **King County Annexation Initiative** funding is re-purposed to urban parks and not available. Renton has made requests to King County for one-time, operating and capital funding without success.
- **Streamlined sales tax:** assumes in-store sales 60%, 40% from community and new construction.
- All salaries are based on 2012 levels, with **40% benefits** factor, at the **C step** of the range.
- Costs shown on each departmental page represent base-year annual costs and in some cases, may be phased in over 6 months to 1 year from the date of annexation.
- It is assumed that staff positions eliminated after the Benson Hill annexation and 2010 budget remain as is, and proposed staffing in this plan represent requests above 2010 unfunded levels.
- **One time costs** include vehicles, equipment for street and park maintenance, personal protective equipment for fire & emergency services staff; per-officer equipment and uniforms; computer and telecommunications equipment for added staff; personnel recruitment; land surveys, population census, boundary surveys, updating planning efforts to include PAAs

WEST HILL SERVICES

- **Population** increase = 14,012 or 17% increase from 2008 Renton population of 86,230.
- **Annexation timing:**
 - If Renton City Council approves election by August 12, 2010, election in early 2012.
 - If voters approve, assume that Renton accepts the election results effective January 1, 2013. (Extended time allows for hiring, purchasing and transition.)
 - Estimates for 2013 assume no lags in revenue or costs except for Police Department hiring pre-annexation. 2013 represents a full-year cost of service.
 - The estimates are assumed to grow at the above expenditure and revenue growth rates. Refined estimates for out-years can be made sequenced by the effective date.
- **Police Services:** Two patrol districts with two-person patrol staffing, which could be phased back to staffing with one-person patrols after 5 years. Additional command, traffic, animal control, investigations, evidence, records and training costs. Associated equipment, uniforms, vehicles and supplies, jail, and communications costs.
- **Fire & Emergency Medical** services would be provided by the City of Renton from the Fire District 20 headquarters station. The Bryn Mawr station is not needed for response. Fire & Emergency Services are provided today by Fire District 20, staffed with 9 on-duty FTEs and volunteer response. 2010 assumption is that one engine company would serve West Hill from the Skyway station, bringing greater capacity to respond to emergencies during the day, and that no response would be provided from the Bryn Mawr station. One inspector would be needed to serve the area.

- King County would transfer **Skyway Park** (play fields and restrooms) and **Bryn Mawr Park** (undeveloped) to Renton to operate and maintain. Community Services would not extend afterschool programs or expand special events staff without specific agreements.
- Total **Public Works** Maintenance and Transportation staff have completed a cursory survey of street and surface water facilities and conditions to propose staffing for street and surface water maintenance and generate an estimated annual capital cost. For Transportation, signal upgrades, supplies, associated vehicles and planning for transportation improvements would be needed. Maintenance costs do not include building and yard expansion costs.
- **Community & Economic Development** assumes economic development support for the West Hill business district, additional current and long-range planning needs, and code enforcement and building inspections.
- **Finance & Information Technology** would experience growth in business licensing, particularly for home businesses, solid waste utility account growth, animal licensing. Estimates include computer and telecommunications setup costs and user licenses; and would add information technology staff to support computer; phone and service desk demands. Neither annexation assumes an expansion of fiberoptic network, and that facility-related technology (wiring, added server, switches) are part of facilities budget.
- **Human Resources and Risk Management** would need to address recruitment and selection; classification and compensation; employee training and development; risk management - property and liability insurance; and the potential for increased claims. In addition, HR/RM would provide employee benefits, and per-employee training costs.
- **Executive/Judicial Services** costs include voter registration, additional support for records management, proportional increases in public defense and prosecutor costs. In the Municipal Court, a second municipal court judge is assumed with the addition of both annexation areas.
- **Facility assumptions:** With space created in the Benson Hill annexation, it is expected that the City would not need to make capital investments to create additional space. The addition of staff for West Hill would necessitate creating additional office and work space. Estimates of cost for the capital investment to develop this space are being prepared.
- With Renton's annexation to KCLS, no change to library services is expected.
- Power provider and utility pole ownership remains with Seattle City Light.
- **Capital needs** are estimated in the area of Parks, Surface Water, and Transportation. Currently Renton funds capital projects with a variety of sources including general fund and Real Estate Excise Tax sources, leveraging grant sources, and phasing projects. Cost estimates for capital projects are prospective and would need to be fully scoped and identified post-annexation.
 - **Transportation Needs:** Based on per-lane mile increase to TIP + County CIP projects listed including Oakesdale, S 128th, S 132nd, S 133rd, Rainier, and Quick Response Roads projects.
 - **Parks Needs:** Based on total \$4.7M Skyway Park improvements estimated by Renton staff (includes trail fixes), Major Maintenance of \$140K/yr, \$500K improvements to Bryn Mawr Park – all improvements spread over 6 years
 - **Surface Water Needs:** Based on current capital program extended to West Hill.